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8 UNITED STATES BANKRUPTCY COURT
9 DISTRICT OF NEVADA

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10 In Re: Case No. BK-N-11-50615-BTB
11 TEE INVESTMENT COMPANY, a Chapter 11
12 Nevada Limited Partnership, dba
LAKERIDGE APARTMENTS,
13 Debtor. Hearing Date: July 21, 2011
Hearing Time: 2:00 p.m.
14 _____/

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17 **DEBTOR'S FIRST AMENDED**
18 **DISCLOSURE STATEMENT**
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1 **1. INTRODUCTION**

2 This Amended Disclosure Statement (hereinafter the “Disclosure Statement”) is
 3 provided to creditors by the connection with the solicitation of acceptances of the Debtor’s
 4 First Amended Plan of Reorganization (the “Plan”¹), filed on **September 9, 2011**, or any
 5 subsequent amended plan of reorganization. The Debtor’s reorganization case is under
 6 Chapter 11 of the United States Code, and was initiated on **March 1, 2011**, in the United
 7 States Bankruptcy Court for the District of Nevada, as **Case No. BK-N-11-50615-BTB**.
 8 The Plan provides for the treatment of claims of creditors and interest of the equity
 9 security holders².

10 The objective of a Chapter 11 bankruptcy case is to obtain Bankruptcy Court
 11 approval of a plan of reorganization. This process is referred to as confirmation of a
 12 plan. A plan describes in detail (and in language appropriate for a legal contract) the
 13 means for satisfying the claims against, and equity interests in, a Debtor. After a plan has
 14 been filed, the holders of such claims and equity securities that are “impaired” (a term
 15 defined in Bankruptcy Code Section 1124 and discussed in more detail below) are
 16 permitted to vote to accept or reject the plan. Before a Debtor or other plan proponent can
 17 solicit acceptances of a plan, Bankruptcy Code Section 1125 requires the Debtor or other
 18 plan proponent(s) to prepare a disclosure statement containing adequate information of a
 19 kind, and in sufficient detail, to enable those parties entitled to vote on the plan to make an
 20 informed judgment about the plan and whether they should accept or reject the plan.

21 **1.1 Purpose of the Disclosure Statement**

22 The purpose of this Disclosure Statement is to ensure that claimants have adequate
 23

24 ¹ Capitalized terms not otherwise defined herein will have the same meaning as are
 25 ascribed to such terms in the Plan which is filed contemporaneously herewith.

26 ² An equity security of the Debtor as the term is defined in Section 101(16) of the
 27 Bankruptcy Code includes any ownership interest in the Debtor, including membership
 28 interests.

1 information to enable each class to make an informed judgment about the Plan. The assets
2 and liabilities of the Debtor are summarized herein. To the extent the information
3 contained in this Disclosure Statement may be inconsistent with the Debtor's Statement of
4 Financial Affairs and (Amended) Schedule of Assets and Liabilities filed on January 10,
5 2011, or subsequent amendments thereto, this Disclosure Statement shall supersede such
6 Statements and Schedules (as may have been amended).

7 This Disclosure Statement describes the business background and operating history
8 of the Debtor before the filing of the case. It also summarizes certain significant events
9 that have taken place during the case and describes the terms of the Plan, which divides
10 creditor claims and the interests of shareholders into classes and provides for the
11 satisfaction of allowed claims and interests.

12 The Court will set a time and date as the last day to file acceptances or rejections of
13 the Plan. Thereafter, a hearing on confirmation of the Plan will be held in the United
14 States Bankruptcy Court for the District of Nevada, located at the U.S. Federal Building &
15 Courthouse, 300 Booth Street, Reno, Nevada. Creditors may vote on the Plan by filling
16 out and mailing a special form of ballot. The form of ballot and special instructions for
17 voting will be forthcoming upon approval of the Disclosure Statement by the Court.
18 Creditors are urged to carefully read the contents of this Disclosure Statement before
19 making a decision to accept or reject the Plan.

20 **1.2 Acceptance and Confirmation**

21 In order for the Debtor's Plan to be confirmed, each impaired class of claims or
22 interests must accept the Plan, except as set forth below. In order for the Plan to be
23 deemed accepted, a majority in number and two-thirds in dollar amount of the claims of
24 each class of creditors impaired under the Plan of those that actually vote, must vote for
25 acceptance of the Plan. Holders of claims who fail to vote are not counted as either
26 accepting or rejecting the Plan.

27 Classes of claims that are not "impaired" under a Plan are deemed to have accepted
28 the Plan. Acceptances of the Plan are being solicited only from those persons who hold

claims or interests in impaired classes. A class is “impaired” if the legal, equitable or contractual rights attaching to the claims or interests of that class are modified, other than by curing defaults and reinstating maturities, or by payment in full in cash.

1.3 Confirmation Without Acceptance By All Impaired Classes

The Bankruptcy Code contains provisions for confirmation of a Plan even if the Plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted the Plan, and the Plan otherwise complies with the provisions of the Bankruptcy Code. These “cram-down” provisions for confirmation of a Plan, despite the non-acceptance of one or more impaired classes of claims or interest, are set forth in § 1129(b) of the Bankruptcy Code.

If a class of unsecured claims rejects the Plan, it may still be confirmed so long as the Plan provides that (i) each holder of a claim included in the rejecting class receive or retain on account of that claim property which has a value, as of the Effective Date, equal to the allowed amount of such claim; or that (ii) the holder of any claim or interest that is junior to the claims of such class will not receive or retain on account of such junior claim or interest any property at all.

If a class of secured claims rejects the Plan, it may still be confirmed so long as the Plan provides (i) the holders of such claims retain the lien securing such claim; (ii) the holders of such claims receive on account of such claims deferred cash payments totaling at least the allowed amount of such claims, of a value, as of the Effective Date of the Plan, of at least the value of such claimant’s interest in the estate’s interest in such property; (iii) for the sale of the property in accordance with § 1129(b)(2)(A)(ii); or (iv) for the realization by such claimants of the indubitable equivalent of the claim.

1.4 Disclaimer

No representations concerning the Debtor is authorized by the Debtor except as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan other than as contained herein have not been authorized and should not be relied upon by you in making your decision, and such

1 additional representations and inducements should be reported to counsel for the Debtor,
 2 who in turn should deliver such information to the Court for such action as may be deemed
 3 appropriate. The information contained herein has not been subjected to a certified audit.
 4 The records kept by the Debtor and other information relied on herein are dependent upon
 5 investigations and accounting performed by the Debtor and others employed by the
 6 Debtor. The Debtor is unable to warrant that the information contained herein is without
 7 inaccuracy, although a great effort has been made to be accurate, and the Debtor believes
 8 that the information contained herein is, in fact, accurate.

9 **2. INFORMATION REGARDING THE CHAPTER 11 ESTATE**

10 **2.1 History of the Debtor and Events Leading to the Filing of the Chapter** 11 **11 Case**

12 The Debtor purchased the property known as the Lakeridge East Apartments, 6155
 13 Plumas Street, Reno, Nevada (the "Property") in 1968. In 2006 the Property was
 14 refinanced through WBCMT in the original principal amount of \$11,950,000.00.

15 The Debtor successfully operated its business until early 2009, when it began to
 16 experience a decline in occupancy generally associated with the decline in the overall
 17 national economy and the local economy. As a result, the Debtor became delinquent in its
 18 mortgage payments, which ultimately lead to a receivership proceeding being commenced
 19 against the Debtor, and a non-judicial foreclosure proceeding against the Property. The
 20 filing of this Chapter 11 case stayed the foreclosure upon the Property.

21 **2.2 Ownership of Debtor and Its Management.**

22 The general partner of the Debtor is the Nathan and Virginia Topol Trust of April
 23 1, 1985, owning 98%. Nathan Topol and Virginia Topol are limited partners owning a
 24 total of 2%.

25 **2.3 Co-Debtors**

26 Nathan Topol is a conditional guarantor of the obligation to WBCMT.

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1 **3. DEVELOPMENTS DURING THE COURSE OF THIS CHAPTER 11 CASE**

2 **3.1 Meeting of Creditors**

3 The United States Trustee conducted a meeting of creditors pursuant to 11 U.S.C.
4 § 341 on April 4, 2011. The Debtor appeared through its representative Byron Topol.

5 **3.2 Schedules and Statement of Affairs**

6 The Debtor filed its schedule of assets and liabilities and statement of financial
7 affairs on March 1, 2011. Those schedules and statements may be viewed online at
8 www.nvb.uscourts.gov or may be obtained from the Bankruptcy Clerk for a fee.

9 **3.3 Monthly Operating Reports**

10 Monthly operating reports reflecting the Debtor's ongoing financial status are filed
11 with the United States Bankruptcy Court and can be viewed online at
12 www.nvb.uscourts.gov.

13 **3.4 Employment of General Counsel**

14 The Debtor has noticed its application to employ Alan R. Smith, Esq., as its counsel
15 and to objections were filed. An order employing counsel is expected to be entered
16 shortly.

17 **3.5 Creditors Committee**

18 An unsecured creditor's committee has not been formed in this case..

19 **3.6 Use of Cash Collateral**

20 The Property has continued to be operated by a receiver for WBCMT, and
21 accordingly there are no cash collateral issues.

22 **3.7 Motion To Retain Receiver**

23 On March 10, 2011, WBCMT 2006 - C27 Plumas Street, LLC ("WBCMT"), filed
24 its Motion for Entry of Order Pursuant to 11 U.S.C. § 543(d)(1) Maintaining Terrence S.
25 Daly As Custodian In Possession And Control Of Debtor's Real Property, And Excusing
26 Custodian From Compliance With 11 U.S.C. § 543(a) and (b) [Dkt. 14]. The Debtor
27 opposed the motion, and the matter was heard on April 14, 2011. After considering the
28 pleadings, arguments and evidence, the Court granted the motion and ordered that the

receiver be retained.

4. DESCRIPTION OF ASSETS

4.1 Description of Real Property

Description Type	Assessor's Parcel #	Estimated Value ³
Lakeridge West Apartments comprised of 126 apartment units located at 6155 Plumas Street, Reno, Nevada	042-182-01 through 16 042-181-01 through 41 042-171-01 through 32 042-172-01 through 10 104-183-01 through 27	\$10,000,000.00

4.2 Description of Personal Property

Description	Location	Est. Current Value
Checking Account	Bank of the West, Reno Branch, Kietzke	\$ 0.00
Checking Account	City National Bank Debtor-In- Possession account	\$ 100.00
Checking Account	City National Bank Operating account	\$ 100.00
Checking Account	City National Bank Security account	\$ 100.00
Security Deposits	Held by receiver	\$ 24,930.00
2008 Chevrolet Colorado	Vehicle previously used in connection with maintenance and operation of property and not for personal use. Under Debtor's Plan, vehicles will continue to be used for maintenance and operation of property.	\$ 15,000.00

³This is the Debtor's initial estimate only. May be revised based upon a current appraisal to be obtained by the Debtor, or if the value is determined by the Court.

2007 Ford Ranger	Vehicle previously used in connection with maintenance and operation of property and not for personal use. Under Debtor's Plan, vehicles will continue to be used for maintenance and operation of property.	\$ 7,500.00
2006 Ford E250 Van	Vehicle previously used in connection with maintenance and operation of property and not for personal use. Under Debtor's Plan, vehicles will continue to be used for maintenance and operation of property.	\$ 6,500.00
2006 Ford Ranger	Vehicle previously used in connection with maintenance and operation of property and not for personal use. Under Debtor's Plan, vehicles will continue to be used for maintenance and operation of property.	\$ 6,300.00
Apartment appliances (refrigerators, dishwashers, washers/dryers)		\$ 110,000.00
Potential claim against Nathan Topol for recovery of preferential payments.	Not applicable.	Unknown ⁴
TOTAL:		\$ 170,530.00

5. DESCRIPTION OF DEBTS

5.1 Administrative Claims

(A) Attorneys Fees/Law Offices of Alan R. Smith. The Debtor will be obligated to pay attorneys fees and costs owed to the Law Offices of Alan R. Smith, subject to Court approval. The Debtor estimates that attorneys fees will be incurred prior

⁴From March 1, 2010 to February 28, 2011, Nathan Topol or affiliates of his received a total of \$383,908.00, plus a management fee of \$34,500.00. Within such period, Nathan Topol repaid the Debtor \$201,982.00, leaving the sum of \$181,926.00 as a possible preferential payment. The Debtor has been informed by Jeffrey Hartman, Esq., Nathan Topol's counsel; that Nathan Topol is insolvent, and may seek relief under the Bankruptcy Code. A judgment in excess of \$4,000,000.00 was recently entered against Mr. Topol. Accordingly, the Debtor is unable to assign any value to this asset.

to Plan confirmation, but is unable to project the final balance at this time.

(B) U.S. Trustee Fees. All fees required to be paid to the United States Trustee will be paid in full upon the Effective Date of the Debtor's Plan. Payment of U.S. Trustee fees in this case are current.

5.2 Priority Claims

The Debtor estimates priority claims owed as follows:

Creditor	Nature of Lien	Estimated Amount of Priority Claim
Nevada Department of Taxation	Business Taxes	\$ 2,771.00
TOTAL PRIORITY CLAIMS		\$ 2,771.00

5.3 Secured Claims

The Debtor has scheduled against it the following secured claims:

Creditor	Nature of Lien	Est. Amount of Secured Claim
WBCMT	First Deed of Trust	\$ 14,242,985.81

Creditor	Balance Owed	Interest Rate	Maturity Date	Original Terms
Ford Motor Company	\$3,363.00	1.90	7/23/11	5 yr principal & interest
Ford Motor Company	\$3,129.00	0.00	9/22/11	5 yr principal only 0%
Ford Motor Company	\$11,257.00	1.90	6/22/12	5 yr principal & interest
Ally (formerly GMAC)	\$10,917.00	5.50	7/11/13	5 yr principal & interest
TOTAL SECURED CLAIMS				\$14,271,651.81

5.4 Unsecured Claims

The Debtor has scheduled against it the following unsecured claims.

Creditor	Basis of Claim	Scheduled Amount of Claim	Proof of Claim Amount
WBCMT	Promissory Note - estimated deficiency	\$4,242,985.81	\$14,242,985.81
Air Filter Sales & Serv	Goods/Services	\$35.44	
Appliance Parts	Goods/Services	\$668.37	\$786.48
Comyns, Smith, McCleary & Co.	Goods/Services	\$10,000.00	
Consumer Source, Inc.	Goods/Services	\$11,690.00	
Discount Tire	Goods/Services	\$354.86	
Dunseath Key Co.	Goods/Services	\$54.99	
Easy Rooter	Goods/Services	\$85.00	
Fairway Construction Company	Goods/Services	\$11,496.00	
Firstcomp	Goods/Services	\$980.00	
Floors R Us	Goods/Services	\$733.35	
Fuller Color Center	Goods/Services	\$661.09	
GE Appliance	Goods/Services	\$298.40	\$298.40
Graybar	Goods/Services	\$251.59	
Hutch's Mission Car Wash	Goods/Services	\$29.92	
Inland Supply	Goods/Services	\$115.80	
Jones Vargas	Goods/Services	\$8,383.96	\$16,258.98
Kleaning Connection	Goods/Services	\$520.00	
Lakeridge Tennis Club, Inc.	Past due fees for use of club.	\$1,603,701.00	
Landlord Protection Service	Goods/Services	\$438.00	
Lowe's Business Account	Goods/Services	\$289.64	
Marketing Design Works	Goods/Services	\$2,400.00	
Morris Peterson	Goods/Services	\$1,587.41	

Creditor	Basis of Claim	Scheduled Amount of Claim	Proof of Claim Amount
Pacific States Communications	Goods/Services	\$568.86	
Pool Water Products	Goods/Services	\$129.54	
Professional Communications	Goods/Services	\$452.93	
Quick Smog	Goods/Services	\$70.00	
Rapid Refill	Goods/Services	\$44.15	
Reimer Pest & Weed	Goods/Services	\$675.00	
Sam's Club	Goods/Services	\$852.63	
Sierra Welding Supply	Goods/Services	\$43.53	
Nathan L. Topol	Loan	\$1,090,235.79	
Nathan L. Topol	Loan	\$299,356.90	
Victor Illuminating	Goods/Services	\$344.00	\$344.00
Ward Young	Goods/Services	\$19,569.92	
TOTAL UNSECURED CLAIMS:		\$7,310,103.88	\$14,260,673.67

5.5 Claims Deadline

In accordance with the Bankruptcy Court's Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors, & Deadlines filed on March 1, 2011, the deadline for filing a proof of claim for all creditors in this action is May 31, 2011, and August 29, 2011 for governmental agencies.

6. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The Debtor is a party to the following executory contracts:

Executory Contract Name and Address	Description
AT&T Operations, Inc.	Marketing and Service Contract

Tenant Leases	All leases with tenants of the Property.
Lakeridge Tennis Club, Inc.	Agreement for use of the Lakeridge Tennis Club - copy of which is attached hereto as Exhibit "A."

7. DESCRIPTION OF PENDING AND COMPLETED LITIGATION

The following is a description of the pending pre-petition litigation against the Debtor:

WBCMT 2006 - C27 Plumas Street, LLC v. Tee Investments Company, LP, CV10-01355, Complaint for specific performance and appointment of receiver, among other relief.

8. SUMMARY OF AMENDED PLAN OF REORGANIZATION

THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN OF REORGANIZATION WHICH IS FILED CONCURRENTLY HERewith (the "Plan"), AND SHOULD NOT BE RELIED UPON FOR VOTING PURPOSES. THE SUMMARY IS NOT COMPLETE, AND CREDITORS ARE URGED TO READ THE PLAN IN FULL. A COPY OF THE AMENDED PLAN OF REORGANIZATION WILL BE PROVIDED TO ALL CREDITORS. TO THE EXTENT THE FOLLOWING SUMMARY INCLUDES DEFINED TERMS, THOSE DEFINITIONS ARE INCLUDED IN THE PLAN FILED CONCURRENTLY HERewith. ALL CAPITALIZED TERMS HEREINAFTER HAVE THE MEANINGS SET FORTH IN THE PLAN.

8.1 Classification and Treatment of Claims

The Plan designates seven (7) classes of claims. Those classes take into account the differing nature and priority of the various classified claims under the Bankruptcy

Code.

The following table briefly summarizes the classification and treatment of all Claims under the Plan and the consideration distributable on account of such Claims under the Plan. The information set forth in the following table is for convenience of reference only, and each holder of a Claim should refer to the Plan for a full understanding of the classification and treatment of Claims provided for under the Plan. Claims will receive designated treatment within a Class only to the extent Allowed within that class. The Claim allowance procedure is an ongoing process and the actual amount of the Allowed Claims may vary from the estimates.

CLASS	CLAIMS	SUMMARY OF TREATMENT
Nonclassified	Administrative Expenses	Paid in full on the latest of (a) on or before the Effective Date; (b) when due or such later date as approved by the claimant; or (c) when allowed by Final Order
Nonclassified	Administrative Claims	See Section 8.2.8(A) below
Nonclassified	Priority Claims	See Section 8.2.8(C) below
Class 1	Secured Claim of WBCMT	See Section 8.2.1 below
Class 2	Secured Claim of Ford Motor Credit	See Section 8.2.2 below
Class 3	Secured Claim of Ford Motor Credit	See Section 8.2.3 below
Class 4	Secured Claim of Ford Motor Credit	See Section 8.2.4 below
Class 5	Secured Claim of GMAC	See Section 8.2.5 below
Class 6	Unsecured Claims	See Section 8.2.6 below
Class 7	Membership Interest	Receives no distribution until Class 1 through 6 are paid in full. See Section 8.2.7 below

8.2 Treatment of Claims and Interests

Each creditor class shall be treated as follows:

8.2.1 Class 1 (WBCMT Secured Claim):

1 The WBCMT Secured Claim of WBCMT 2006 - C27 Plumas Street, LLC
2 (“WBCMT”) shall be treated under the Plan as follows:

3 **(A) Amount of the WBCMT Secured Claim**

4 The amount of the WBCMT Secured Claim shall be the lesser of the value
5 of the Property determined as of the Confirmation Date (the “Value as of Confirmation
6 Date”) or the WBCMT Note Balance.

7 **(B) Retention of Security Interest in Property**

8 WBCMT shall retain its security interest in the Property as evidenced by the
9 WBCMT Deed of Trust.

10 **(C) Payment of the WBCMT Secured Claim**

11 The WBCMT Secured Claim shall bear interest at the rate of 4.25% per
12 annum from and after the Effective Date, or, in the event of objection by the Class 1
13 creditor, such other rate as the Court shall determine is appropriate after considering the
14 evidence at the Confirmation Hearing (the “WBCMT Interest Rate”). On or before the
15 15th day of each and every month, commencing on the 15th day of the next month
16 following the Effective Date, the Debtor shall distribute to WBCMT an amount equal to
17 the normal amortized monthly payment based upon the WBCMT Interest Rate and a 30-
18 year amortized mortgage term (the “Monthly Class 1 Payment”).

19 **(D) Payment of the Balance Due on the WBCMT Secured**
20 **Claim**

21 The balance owed on the WBCMT Secured Claim, together with any and all
22 accrued interest, fees and costs due thereunder, shall be paid on or before ten (10) years
23 following the Effective Date, or such other date as may be proposed by the Debtor and
24 approved by the court at the Confirmation Hearing (the “WBCMT Maturity Date”), by the
25 means as set forth in Section 7 below.

26 **(E) Loan Documents Remain In Effect**

27 The WBCMT Note and the WBCMT Deed of Trust shall remain in full
28 force and effect, except as modified by or otherwise inconsistent with this Plan, in which

1 event the terms of this Plan shall supersede.

2 **(F) Plan Default**

3 In the event of a default by the Debtor under the Plan, and in the event
4 Debtor fails to cure such default within fifteen (15) business days after delivery of notice
5 to the Debtor and to Debtor's counsel, WBCMT shall be entitled to enforce all of the
6 terms of the WBCMT Deed of Trust and the WBCMT Note, in addition to all rights
7 available under Nevada law, including, without limitation, foreclosure upon the Property
8 and the opportunity to credit bid the entire amount of the WBCMT Note at any foreclosure
9 sale.

10 **(G) No Release Of Guarantors**

11 This Plan shall not release any guarantors of any of the debts identified
12 herein, and shall specifically not release Nate Topol of any guarantee that he may have of
13 the WBCMT debt.

14 **(H) Effect Of Election Under 1111(b)(2)**

15 In the event WBCMT makes a timely election under Section 1111(b)(2) of
16 the code, and the same is allowed by the Court, then as of the WBCMT Maturity Date, the
17 balance paid to WBCMT shall be the greater of i) the balance owed on the WBCMT
18 Secured Claim as of the WBCMT Maturity Date; or ii) the WBCMT Note Balance less the
19 total of all payments received by WBCMT Post-Petition.

20 **8.2.2 Class 2 (Ford Motor Credit - 2007 Ford Ranger):**

21 The Class 2 claimant shall retain its existing security interest in the 1007
22 Ford Ranger. The Allowed Secured Claim shall bear interest at the rate of 6% per annum,
23 or, in the event of objection by the Class 2 creditor, such other rate as the Court shall deem
24 appropriate after consideration of the evidence at the Confirmation Hearing (the "Class 2
25 Interest Rate"). The Allowed Secured Claim shall be amortized with equal monthly
26 payments over a period of two years, or such other period as may be proposed by the
27 Debtor at the Confirmation Hearing and approved by the Court. Payments shall
28 commence on the first business day at least 15 days following the Effective Date. To the

1 extent unaltered by the terms and conditions of this Plan, the existing promissory note and
 2 security agreement with the Class 2 creditor shall remain in full force and effect. In the
 3 event of default, the Class 2 creditor shall provide the Debtor with 10 days written notice
 4 of such default, and in the event such default remains uncured within 10 days, the Class 2
 5 creditor shall be entitled to enforce all of the terms of its promissory note and security
 6 agreement, including repossession of the collateral.

7 **8.2.3 Class 3 (Ford Motor Credit - 2006 Ford E250 Van):**

8 The Class 3 claimant shall retain its existing security interest in the 1007
 9 Ford Ranger. The Allowed Secured Claim shall bear interest at the rate of 6% per annum,
 10 or, in the event of objection by the Class 3 creditor, such other rate as the Court shall deem
 11 appropriate after consideration of the evidence at the Confirmation Hearing (the "Class 3
 12 Interest Rate"). The Allowed Secured Claim shall be amortized with equal monthly
 13 payments over a period of two years, or such other period as may be proposed by the
 14 Debtor at the Confirmation Hearing and approved by the Court. Payments shall
 15 commence on the first business day at least 15 days following the Effective Date. To the
 16 extent unaltered by the terms and conditions of this Plan, the existing promissory note and
 17 security agreement with the Class 3 creditor shall remain in full force and effect. In the
 18 event of default, the Class 3 creditor shall provide the Debtor with 10 days written notice
 19 of such default, and in the event such default remains uncured within 10 days, the Class 3
 20 creditor shall be entitled to enforce all of the terms of its promissory note and security
 21 agreement, including repossession of the collateral.

22 **8.2.4 Class 4 (Ford Motor Credit - 2006 Ford Ranger):**

23 The Class 4 claimant shall retain its existing security interest in the 1007
 24 Ford Ranger. The Allowed Secured Claim shall bear interest at the rate of 6% per annum,
 25 or, in the event of objection by the Class 4 creditor, such other rate as the Court shall deem
 26 appropriate after consideration of the evidence at the Confirmation Hearing (the "Class 4
 27 Interest Rate"). The Allowed Secured Claim shall be amortized with equal monthly
 28 payments over a period of two years, or such other period as may be proposed by the

Debtor at the Confirmation Hearing and approved by the Court. Payments shall commence on the first business day at least 15 days following the Effective Date. To the extent unaltered by the terms and conditions of this Plan, the existing promissory note and security agreement with the Class 4 creditor shall remain in full force and effect. In the event of default, the Class 4 creditor shall provide the Debtor with 10 days written notice of such default, and in the event such default remains uncured within 10 days, the Class 4 creditor shall be entitled to enforce all of the terms of its promissory note and security agreement, including repossession of the collateral.

8.2.5 Class 5 (GMAC - 2008 Chevrolet Colorado):

The Class 5 claimant shall retain its existing security interest in the 1007 Ford Ranger. The Allowed Secured Claim shall bear interest at the rate of 6% per annum, or, in the event of objection by the Class 5 creditor, such other rate as the Court shall deem appropriate after consideration of the evidence at the Confirmation Hearing (the "Class 5 Interest Rate"). The Allowed Secured Claim shall be amortized with equal monthly payments over a period of two years, or such other period as may be proposed by the Debtor at the Confirmation Hearing and approved by the Court. Payments shall commence on the first business day at least 15 days following the Effective Date. To the extent unaltered by the terms and conditions of this Plan, the existing promissory note and security agreement with the Class 5 creditor shall remain in full force and effect. In the event of default, the Class 5 creditor shall provide the Debtor with 10 days written notice of such default, and in the event such default remains uncured within 10 days, the Class 5 creditor shall be entitled to enforce all of the terms of its promissory note and security agreement, including repossession of the collateral.

8.2.6 Class 6 (Unsecured Claims):

Allowed Unsecured Claims shall receive a prorata distribution of the Equity Contribution as described in Section 7.1 below (the "Unsecured Creditor Contribution"). The Debtor may propose a greater distribution amount at or before the time of the Confirmation Hearing.

8.2.7 Class 7 (Membership Interests):

The members shall retain their membership interests in the Reorganized Debtor, but shall receive no distribution until Classes 1 through 6 are paid in full.

8.2.8 Treatment of Unclassified Claims:

(A) Administrative Claims

Claims arising during the administration of the Debtor's Chapter 11 case and entitled to priority under Section 507(a)(1) of the Bankruptcy Code are not classified under the Plan. Holders of such claims shall be paid in full on the latter of the Effective Date, or fifteen (15) days after entry of an order creating an Allowed Administrative Claim, unless holders of an Allowed Administrative Claim agree to alternative treatment. Allowed Administrative Claims may be paid by the members of the Debtor.

(B) Fees to the United States Trustee

All fees required to be paid to the United States Trustee will be paid in full upon the Effective Date of the Debtor's Plan, and shall remain current until the case is fully administered, closed, converted or dismissed, whichever occurs first. Such fees may be paid by cash contributions by the member of the Debtor.

(C) Priority Claims

Allowed Priority Claims shall be paid in full within 60 months following the Effective Date, with interest, as provided by 11 U.S.C. §1129(a)(9).

(D) Disputed Claims

All payments hereunder to creditors whose claims are not liquidated or are disputed shall be paid into a segregated trust account until such claims are an Allowed Claim, in which case the proceeds shall be disbursed, or such claim shall be disallowed.

8.3 Executory Contracts

All executory contracts of the Debtor are assumed, and shall be maintained current.

8.4 Means of Implementing and Funding The Plan

8.4.1 Contribution From Members or Affiliates

1 The Debtor's members or affiliates shall contribute the sum of \$75,000.00 (the
2 "Equity Contribution"), of which \$50,000.00 shall be distributed to unsecured creditors as
3 set forth in Section 8.2 (G) above (the "Unsecured Creditor Contribution"). Such sum
4 shall be deposited into a segregated trust account prior to the Plan confirmation.

5 **8.4.2 Continued Operation**

6 The Plan will be funded by the Debtor's income from the ongoing operation of its
7 business. Debtor anticipates that this will be sufficient to make the payments due of the
8 Class 1, 3, 4 and 5 claims.

9 **8.4.3 Sale or Refinance of Property**

10 The Debtor will sell or refinance the Property before the WBCMT Maturity Date.
11 The proceeds from such sale or refinance shall be used to fund the Plan as set forth herein.

12 **8.4.4 Disputed Claims**

13 All sums contemplated to be paid under the Plan to creditors whose claims are not
14 liquidated or are disputed shall be paid into a segregated trust account until such claims are
15 an Allowed Claim, in which case the proceeds shall be disbursed, or such claim shall be
16 disallowed.

17 **8.4.5 Revesting of Assets in the Debtor**

18 Upon confirmation of the Plan, all property of the estate of the Debtor shall be
19 revested in the Debtor, pursuant to 11 U.S.C. § 1141(c), which shall retain such property
20 as the Reorganized Debtor free and clear of all claims and interests of the creditors, except
21 as set forth in the Plan.

22 **8.4.6 Disbursing Agent**

23 The Debtor will serve as disbursing agent and shall make all payments required
24 under the Plan. The disbursing agent may employ or contract with other entities to assist
25 in or to perform the distribution of the property and shall serve without bond.

26 **9. POST-CONFIRMATION FINANCIAL CONDITION OF THE DEBTOR**

27 Following Plan confirmation, the Debtor believes that its post-confirmation
28 financial condition shall be as set forth in the Post-Petition Balance Sheet attached to the

1 Disclosure Statement as **Exhibit “B”**

2 **10. POST-CONFIRMATION MANAGEMENT OF THE DEBTOR**

3 The Debtor shall manage the Property Post Confirmation, and may employ such
4 persons as it deems necessary for effective management.

5 **11. ALTERNATIVES TO THE PLAN**

6 The Debtor believes that the Plan provides its creditors with the earliest and
7 greatest possible value that can be realized on their claims.

8 Under § 1121 of the Bankruptcy Code, the Debtor has the exclusive right to file a
9 plan of reorganization during the first 120 days after commencement of its Chapter 11
10 case, or as otherwise extended by the Court. The Plan was filed within such 120 day
11 period. In addition, if the Plan is not accepted, other parties in interest may have an
12 opportunity to file an alternative plan of reorganization.

13 Alternatively, a liquidation of the Debtor’s assets could be conducted as described
14 in Section 12.5 of this Disclosure Statement. For the reasons described in that section,
15 Debtor believes that the distribution to each impaired class under the Plan will be greater
16 and earlier than distributions that might be received in a Chapter 7 liquidation of the
17 Debtor’s assets.

18 **12. CERTAIN RISKS TO BE CONSIDERED**

19 HOLDERS OF CLAIMS AGAINST THE DEBTOR SHOULD READ AND
20 CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE
21 OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND
22 THE DOCUMENTS ATTACHED OR DELIVERED HERewith AND/OR
23 INCORPORATED HEREIN BY REFERENCE), IN DETERMINING WHETHER OR
24 NOT TO ACCEPT OR REJECT THE DEBTOR’S PLAN. THESE RISK FACTORS
25 SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY
26 RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS
27 IMPLEMENTATION.

28 **12.1 Risk of Non-Confirmation of the Plan**

1 Because the Plan provides for the reorganization of the Debtor as a going concern,
 2 many of the common risk factors found in typical reorganizations apply with respect to the
 3 Plan. These include (a) the value of the Debtor's property has suffered significantly as a
 4 result of the downturn in the United States economy since the summer of 2009. There is
 5 no assurance that the Debtor's projections of the stabilized income from the Property will
 6 occur, or that these projections will occur within the time period projected in the Plan; (c)
 7 because the Plan is dependent on continued apartment rentals at the Property, there is a
 8 risk that the projections of net operating income, with which to pay the Allowed Claims of
 9 Creditors, may not be met; (d) if WBCMT is not paid in accordance with the Plan, and the
 10 Debtor is unable to sell the Property or to secure alternative financing, WBCMT may
 11 foreclose on the Property. Debtor is unaware of any regulatory contingencies or risks in
 12 connection with the Plan.

13 **12.2 Non-Consensual Confirmation**

14 In the event one or more impaired Classes of Claims does not accept the Plan, the
 15 Bankruptcy Court may nevertheless confirm the Plan at the Debtor's request, if all other
 16 conditions for confirmation have been met and at least one impaired Class has accepted
 17 the Plan (such acceptance being determined without including the vote of any "insider" in
 18 such Class) and, as to each impaired Class that has not accepted the Plan "does not
 19 discriminate unfairly" and is "fair and equitable" with respect to the rejecting impaired
 20 classes. The Debtor believes that the Plan satisfies those requirements.

21 **12.3 Tax Consequences of the Plan**

22 The Debtor believes that there are no federal income tax consequences peculiar to
 23 its Plan. EACH HOLDER OF A CLAIM IS STRONGLY URGED TO CONSULT WITH
 24 HIS/HER TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND
 25 FOREIGN TAX CONSEQUENCES TO HIM/HER OF THE PLAN.

26 **12.4 Projections of Operations**

27 The Debtor's projection of its future income and expenses is set forth in **Exhibit**
 28 **"C"** attached hereto. Those projections are based upon historical operations and projected

1 increase in room rentals up to a stabilized level.

2 **12.5 Liquidation Analysis**

3 Should the Debtor be forced to terminate its business operations or convert its case
4 to Chapter 7 and have a trustee conduct the liquidation of its assets, Debtor estimates that
5 such a liquidation will result in payment only to WBCMT on its secured claim (Class 1
6 creditor) and no distribution to any of the other creditors (Classes 2, 3, 4, 5, and 6). This is
7 because Debtor will be unable to obtain any financing, which will lead to foreclosure on
8 the Property and the personal property. The only other asset of the Debtor is a claim
9 against the general partner, the Nathan Topol and Virginia Topol Trust of April 1, 1985
10 (the "Trust"). The Trust is represented by Jeffrey Hartman, Esq. The Debtor has been
11 advised that the Trust is insolvent, but the Trust has been unwilling to provide a balance
12 sheet or more detailed information. Accordingly, the Debtor believes there is no value to
13 such claim, however without actually commencing a lawsuit the Debtor is unable to obtain
14 additional information. The Debtor believes the value of the Property can only be
15 enhanced by continued operation of the Property, reaching stabilized occupancy, and a
16 more favorable economic environment.

17 **13. CONFIRMATION OF THE PLAN**

18 **13.1 Confirmation of the Plan**

19 Pursuant to Section 1128(a) of the Bankruptcy Code, the Bankruptcy Court will
20 conduct a hearing regarding confirmation of the Plan at the United States Bankruptcy
21 Court, 300 Booth Street, Reno, Nevada 89509, pursuant to separate notice provided to
22 creditors and interested parties.

23 **13.2 Objections to Confirmation of the Plan.**

24 Section 1128(b) provides that any party-in-interest may object to confirmation of a
25 plan. Any objections to confirmation of the Plan must be in writing, must state with
26 specificity the grounds for any such objections and must be filed with the Bankruptcy
27 Court and served upon the following parties so as to be received on or before the time
28 fixed by the Bankruptcy Court:

1 Alan R. Smith, Esq.
2 505 Ridge Street
3 Reno, Nevada 89501
4 Telephone: 775/786-4579
5 Facsimile: 775/786-3066
6 Email: mail@asmithlaw.com

7 For the Plan to be confirmed, the Plan must satisfy the requirements stated in Section 1129
8 of the Bankruptcy Code.

9 **DATED** this 9th day of September, 2011.

10 LAW OFFICES OF ALAN R. SMITH

11 By: /s/ Alan R. Smith
12 ALAN R. SMITH, ESQ.
13 Counsel for Debtor
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EXHIBIT "A"

USE AGREEMENT

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EXHIBIT "B"**POST-PETITION BALANCE SHEET****ASSETS:**

Personal Property	\$	116,480.00
Real Property	\$	10,000,000.00

TOTAL ASSETS:	\$	10,116,480.00
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LIABILITIES:

Secured Debts	\$	10,028,666.00
Unsecured Debts	\$	0.00

TOTAL LIABILITIES	\$	10,028,666.00
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NET ASSETS OVER LIABILITIES	\$	<u>87,814.00</u>
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EXHIBIT "C"

PROJECTED MONTHLY NET INCOME

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